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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 9233
RUEKJCS/SECDEF WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RHHMHBA/COMPACFLT PEARL HARBOR HI//N541// PRIORITY
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// PRIORITY
RUHBANB/OKINAWA FLD OFC US FORCES JAPAN CP BUTLER JA PRIORITY
RHMFIUU/USFJ PRIORITY
INFO RUEHFK/AMCONSUL FUKUOKA 4197
RUEHNH/AMCONSUL NAHA 6604
RUEHNAG/AMCONSUL NAGOYA 3024
RUEHKSO/AMCONSUL SAPPORO 4875
RUEHOK/AMCONSUL OSAKA KOBE 7864
RUEHBJ/AMEMBASSY BEIJING 9932
RUEHMO/AMEMBASSY MOSCOW 1954
RUEHUL/AMEMBASSY SEOUL 5988
RUCNDT/USMISSION USUN NEW YORK 6784
RHEHAAA/NSC WASHDC

UNCLAS TOKYO 005109

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STATE FOR I/RF, PA/PR/FPC/W, IIP/G/EA, EAP/PD, R/MR,
EAP/J, EAP/P, PM;
USTR FOR PUBLIC AFFAIRS OFFICE;
TREASURY FOR OASIA/IMI;
SECDEF FOR OASD/PA;
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [JA](#)

SUBJECT: TOKYO MEDIA REACTION - US RATE CUT

LEAD STORIES: Most Friday papers led with the
suspension of the MSDF refueling operation in the
Indian Ocean.

"Fed on Tightrope" The business-oriented Nikkei
editorialized (11/2): "The US Federal Reserve Board
decided at its Federal Open Market Committee meeting on

Wednesday to make an additional cut in the federal
funds rate. Although the move is aimed at preparing for
a possible slowdown in the US economy following the
recent turmoil in the housing market, speculative money

is flowing into the commodities market and pushing up
the prices of oil and gold. The Fed is facing a
challenge to prevent inflation from undermining
international confidence in the US economy.... If the
influx of money into the commodities market unleashes
investors' concern about inflation risks, international

confidence in the Fed's monetary policy could be
eroded, and foreign investment in the US could
decrease. The turmoil in the US and global economies
could continue unless the Fed properly deals with the
housing and commodities markets. The Federal Reserve
Board needs to make a clear judgment and take prompt
action."

SCHIEFFER